

Message Text

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ACTION SS-25

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P 011435Z JUL 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 3589

C O N F I D E N T I A L BUDAPEEST 2052

STADIS////////////////////////////////

EXDIS

FOR COUNSELOR SONNENFELDT AND ASSISTANT SECRETARY HARTMAN

EO 11652: GDS

TAGS: EFIN HU

SUBJECT: FINANCIAL ISSUES: US-HUNGARY

REF: STATE 151528

1. IF WE UNDERSTAND CONTENTS STATE 151528 CORRECTLY,
WASHINGTON IS EFFECTIVELY ESTOPPED FROM SETTLING ANY
WORLD WAR I DEBT WITH ANY NATION AT LESS THAN 100 PERCENT
FULL VALUE SETTLEMENT.

2. IT WOULD BE MOST HELPFUL IF FROM ITS OWN RESOURCES
DEPARTMENT COULD PROVIDE ANSWERS TO FOLLOWING QUESTIONS:

A) IS FLOUR DEBT (STATE 99936) ONLY REPEAT ONLY
OUTSTANDING GOH DEBT?

B) WHAT IS TOTAL AMOUNT (DENOMINATED IN US DOLLARS)
THAT HUNGARY WOULD PAY AS A 100 PERCENT FULL VALUE
SETTLEMENT OF FLOUR DEBT?

C) IF GOH WILLING TO SETTLE FLOUR DEBT AT 100HPERCENT
FULL VALUE, IS USG PREPARED TO GIVE WRITTEN JOHNSON ACT
ASSURANCE THAT AKAR SOUGHT IN WASHINGTON ON APRIL 16
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AND THAT FINANCE MINISTER FALUVEGI SOUGHT FROM ME ON

MAY 30 (BUDAPEEST 1621, PARA 4)?

3. IF, AS MINISTER FALUVEGI HAS STATED, HUNGARY IS DETERMINED TO SCRUB FINANCIAL SLATE CLEAN IN ORDER OBTAIN DIRECT ACCESS TO US MONEY MARKETS, ONE MIGHT GO TO HIM AND SAY USG MUST HAVE 100 PERCENT SETTLEMENT ON FLOUR DEBT FOR REASONS STATED PARA 2 STATE 151528. ONE MIGHT CITE FINLAND AS MODEL TO WHICH HUNGARY CAN ASPIRE. IF SUM IS APPROXIMATELY \$4 MILLION (BUDAPEST 892), IT IS JUST POSSIBLE THAT FALUVEGI WILL PAY -- PROVIDED REPEAT PROVIDED USG WILLING GIVE WRITTEN JOHNSON ACT ASSURANCES.

4. AS MATTERS NOW STAND, HUNGARIANS HAVE TWICE STATED THEIR WILLINGNESS TO SETTLE WORLD WAR I FLOUR DEBT AND THEIR DESIRE WIPE BILATERAL FINANCIAL SLATE CLEAN. ON APRIL 18 DEPARTMENT TOLD AKAR US NEEDED TIME TO CONSULT WITH CONGRESS, BUT THAT US COULD GIVE WRITTEN JOHNSON ACT ASSURANCE IF GOH CURRENT ON ITS OTHER DEBT PAYMENTS (STATE 99936).

5. TO STATE MATTERS SIMPLY, HUNGARIANS FIND IT INCREASINGLY UNBELIEVABLE THAT EXECUTIVE BRANCH HAS SPENT ELEVEN WEEKS CONSULTING WITH CONGRESS ON ISSUE OF SUCH SLIGHT MAGNITUDE. SOME ARE BEGINNING TO HINT THAT US DOES NOT WISH TO "REGULARIZE" OR "NORMALIZE" FINANCIAL RELATIONS WITH HUNGARY. (IN THAT CONNECTION PLEASE SEE PARA 5, BUDAPEST 1621.) AND, AS THE WEEKS SLIP BY, IT WILL BECOME EVER HARDER TO EXPLAIN TO AN AMERICAN TAXPAYER -- IF ONE OF OUR FELLOW CITIZENS EVER INQUIRES -- WHY THIS EMBASSY AND THE DEPARTMENT HAVE FAILED TO RESPOND TO THE HUNGARIAN OFFER TO SETTLE THE FLOUR DEBT. SOME FORM OF US COUNTER-OFFER OR SOME POLITE RESPONSE IS LONG OVERDUE.
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